

## Frequently Asked Questions

### Montana Board of Housing MBOH Plus 0% Deferred Down Payment Assistance (DPA) Program

#### What is the MBOH Plus 0% DPA Program, and who is it designed to help?

**Answer:** The program is designed to assist borrowers eligible for the Montana Board of Housing (MBOH) Regular Bond Program, but lack funds for down payment and closing costs. This program will be of greatest assistance to borrowers financing their home purchase with an FHA-insured loan, which requires a 3.5% borrower contribution towards down payment. Home buyers will receive two loans from their local lender. The first-position loan will be a traditional 30-year loan, and the MBOH Plus 0% DPA loan will be a deferred junior lien on the property.

#### How much down payment assistance can a borrower receive?

**Answer:** The DPA loan can be up to 5% of the purchase price, with a maximum assistance of \$6,500. The minimum DPA loan amount is \$1,500.

#### Are monthly payments required?

**Answer:** No. The DPA loan is a deferred loan with no prepayment penalties. Monthly payments are not required. The interest rate is 0% and the loan becomes payable when the property is sold or otherwise transferred to someone other than the borrower, when the MBOH first mortgage is refinanced or at the maturity date listed in the MBOH Plus 0% note.

#### Is there a minimum credit score limit for this program?

**Answer:** The borrower and co-borrower must both have a minimum mid credit score of 620 to qualify for this program.

#### What if a single person purchasing a home has no credit?

**Answer:** Borrowers with no credit history (a credit score of zero) may be eligible for the MBOH Plus 0% DPA program. The originating lender must confirm the loan application meets underwriting standards set by FHA, VA, RD, or HUD.

#### What is the interest rate of the MBOH 1<sup>st</sup> mortgage associated with this program?

**Answer:** The first mortgage will have a fixed rate that is set by the Board.

#### Why is the mortgage rate on the first loan higher than the regular Bond Program rate?

**Answer:** The second mortgage under this program is funded with MBOH reserves and is uninsured. MBOH must set its rates to mitigate loss based on the source of funds being used.

How much money does a home buyer contribute to the transaction?

**Answer:** Home buyers must invest a minimum of \$1,000 of their own funds in the purchase. The lender's DPA application fee can be included in this amount.

Can the \$1,000 borrower investment be gift funds?

**Answer:** Yes. The borrower's contribution can be a gift. There can be no cash back to the borrower at closing.

What is the maximum borrower income limit for the DPA Program?

**Answer:** All criteria under the Regular Bond Program will apply to the MBOH Plus 0% DPA program, including income limits, purchase price limits, prior ownership limits, and business use limits. Please refer to the Terms and Conditions and the Mortgage Purchase and Servicing Guide found on the MBOH "Documents" page <http://housing.mt.gov/HBRegBond>

Are co-signers allowed in the MBOH Plus 0% DPA program?

**Answer:** Co-signers are allowed in the program, provided the file underwrites to the standards set by FHA, VA, RD or HUD, based on the applicant's income only, and co-signers do not take ownership interest in the property and do not appear on title (such as cases involving non-occupant co-borrowers). Co-signer must be obligated on both the first and second loans.

Are non-occupant co-borrowers allowed in the DPA program?

**Answer:** No. Just like the Regular Bond Program, all parties who appear on title to the property must meet all criteria of the Regular Bond Program, which includes occupancy, prior ownership limitations and income limits.

Are all borrowers required to take home buyer education?

**Answer:** Yes. Each borrower in this program, including the co-borrower, is required to take an approved home buyer education class prior to the reservation of funds. MBOH-approved classes can be located [www.nwmt.org](http://www.nwmt.org)

Are borrowers allowed to take Home Buyer Education on-line?

**Answer:** MBOH prefers borrowers take an on-site class. If a local class is not available, the local Home Buyer Education provider may refer buyers to an on-line alternative, and combine the on-line course with a one-on-one session to obtain a certificate. Access to the on-line course can only be provided by the local instructor, to ensure the correct on-line class is completed.

Can a borrower utilize multiple down-payment programs to purchase a home?

**Answer:** Yes, provided they meet criteria established by each program and that they contribute

a minimum of \$1000 to the transaction. MBOH Plus 0% DPA loan must be a second-position lien on the property. Additional requirements will apply if other DPA programs include amortizing loans, i.e. payments for all amortizing loans must be included in calculations while underwriting the first mortgage, to prevent a homeowner from being placed in an unsustainable mortgage.

#### Can the Program be used to finance condos or manufactured homes?

**Answer:** Maybe. The property and transaction must meet criteria established by FHA, VA, RD, or HUD.

#### How do lenders receive commitments from MBOH for MBOH Plus DPA loans?

**Answer:** Lenders will submit loan requests for both, first- and second-loan funds via [Lender Online](#), along with the borrower stat sheet and the homebuyer ed certificate. Once loans are committed MBOH staff, all information will be available to the lender on Lender Online to proceed with closing.

#### When and how will MBOH reimburse lenders for funds expended for the MBOH Plus 0% DPA loan?

**Answer:** MBOH will reimburse lenders for MBOH Plus 0% DPA loan funds when the first-position loan is purchased. Lenders can obtain Purchase Advice documentation via [Lender Online](#).

#### What compensation will a lender earn under the DPA program?

**Answer:** On the first-position loan, lenders can earn up to 2.75% compensation and lender fees such as application fees, administrative fees, underwriting fees, processing fees and document preparation fees cannot exceed a total of \$500. On the second-position loan, lenders can collect up to \$100 from the borrower.

#### How can lenders earn up to 2.75% on the first-position loan?

**Answer:** Lenders can collect up to 1% at closing from the buyer. MBOH will provide an additional 1% compensation by purchasing the first-position loan at 101%. If lenders elect MBOH as servicer for the DPA program, MBOH will also pay 0.75% Service-release premium, for a total lender compensation of 2.75%. MBOH reimburses lenders for the DPA loan at par.

#### Can lenders use MBOH DPA loans with a purchase-money mortgage being sold into other markets?

**Answer:** No. MBOH Plus 0% DPA loans can only be used with a purchase-money mortgage sold to MBOH under the Regular Bond Program.

#### Can lenders use a MBOH Plus 0% DPA loan with a purchase-money mortgage under the Montana Veterans' Home Loan Program?

**Answer:** No. Montana Veterans' Home Loan Program loans are sold to the Montana Board of Investments, not to the Montana Board of Housing.

Does MBOH underwrite the MBOH Plus 0% DPA loan?

**Answer:** No. Loan originators underwrite the purchase-money mortgage according to the criteria set out by whichever entity is insuring or guaranteeing the loan (FHA, VA, RD, or HUD). MBOH does have some overlays, such as a 620 minimum mid credit score and a 43% debt to income ratio.

Does MBOH require a title insurance policy on the MBOH Plus 0% DPA second-position loan?

**Answer:** No. MBOH only requires title insurance on the first-position loan.

Can a loan be manually underwritten for this program?

**Answer:** Yes. Lenders will underwrite loans to standards required by FHA, VA, RD or HUD. MBOH does not provide underwriting guidance and does not waive underwriting criteria set by the insuring entity.

Why can MBOH provide the 3.5% down payment on an FHA loan, when other organizations can't?

**Answer:** MBOH is a designated "Instrumentality of Government", and as such, is authorized to provide this assistance statewide. Some other organizations also have this same designation, but only within their governmental jurisdiction. Loan originators work closely with local organizations to provide prospective home buyers with all available financing options.

Can lenders retain servicing on the first loan and transfer servicing on the DPA loan to MBOH?

**Answer:** No. Both loans will be serviced by the same entity – either through the lender's normal process under the MBOH Mortgage Purchase and Servicing Guide, or by MBOH directly.

Will lenders interim-service the loans, pending purchase of the loan by MBOH?

**Answer:** No. If MBOH is selected by the lender to service DPA program loans, the servicing will transfer to MBOH at closing and the first mortgage will be purchased at the original loan amount.

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